HOUSE BILL No. 1461

DIGEST OF INTRODUCED BILL

Citations Affected: IC 6-3; IC 6-5.5-1-2.

Synopsis: Tax exemption for patent-derived income. Exempts from taxation certain income derived from patents and earned by a taxpayer that is domiciled in Indiana and considered a small entity by the United States Patent and Trademark Office. Provides that the total amount of exemptions claimed by a taxpayer in a taxable year may not exceed \$5,000,000. Provides that a taxpayer may not claim an exemption for income derived from a particular patent for more than ten years.

Effective: January 1, 2008.

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January 23, 2007, read first time and referred to Committee on Ways and Means.





First Regular Session 115th General Assembly (2007)

PRINTING CODE. Amendments: Whenever an existing statute (or a section of the Indiana Constitution) is being amended, the text of the existing provision will appear in this style type, additions will appear in this style type, and deletions will appear in this style type.

Additions: Whenever a new statutory provision is being enacted (or a new constitutional provision adopted), the text of the new provision will appear in **this style type**. Also, the word **NEW** will appear in that style type in the introductory clause of each SECTION that adds a new provision to the Indiana Code or the Indiana Constitution.

Conflict reconciliation: Text in a statute in *this style type* or *this style type* reconciles conflicts between statutes enacted by the 2006 Regular Session of the General Assembly.

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HOUSE BILL No. 1461

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A BILL FOR AN ACT to amend the Indiana Code concerning taxation.

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Be it enacted by the General Assembly of the State of Indiana:

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SECTIO	ON 1. IO	C 6-3-	1-3.5,	AS AN	1ENI	DED B	Y P.	L.184-	-2006
SECTION	3, AND	AS AN	MENDI	ED BY	P.L.	162-200	6, SI	ECTIC	N 24
IS CORRI	ECTED	AND	AMEN	NDED	TO	READ	AS	FOLL	LOWS
[EFFECTI	VE JAN	UARY	1,200	8]: Sec.	3.5.	When us	sed ir	n this a	rticle,
the term "a	djusted	gross i	ncome'	' shall 1	nean	the foll	owin	g:	

- (a) In the case of all individuals, "adjusted gross income" (as defined in Section 62 of the Internal Revenue Code), modified as follows:
 - (1) Subtract income that is exempt from taxation under this article by the Constitution and statutes of the United States.
 - (2) Add an amount equal to any deduction or deductions allowed or allowable pursuant to Section 62 of the Internal Revenue Code for taxes based on or measured by income and levied at the state level by any state of the United States.
 - (3) Subtract one thousand dollars (\$1,000), or in the case of a joint return filed by a husband and wife, subtract for each spouse one thousand dollars (\$1,000).



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1	(4) Subtract one thousand dollars (\$1,000) for:	
2	(A) each of the exemptions provided by Section 151(c) of the	
3	Internal Revenue Code;	
4	(B) each additional amount allowable under Section 63(f) of	
5	the Internal Revenue Code; and	
6	(C) the spouse of the taxpayer if a separate return is made by	
7	the taxpayer and if the spouse, for the calendar year in which	
8	the taxable year of the taxpayer begins, has no gross income	
9	and is not the dependent of another taxpayer.	
.0	(5) Subtract:	1
1	(A) for taxable years beginning after December 31, 2004, one	
2	thousand five hundred dollars (\$1,500) for each of the	
.3	exemptions allowed under Section 151(c)(1)(B) of the Internal	
4	Revenue Code for taxable years beginning after December 31,	
.5	1996 (as effective January 1, 2004); and	
.6	(B) five hundred dollars (\$500) for each additional amount	-
7	allowable under Section 63(f)(1) of the Internal Revenue Code	
8	if the adjusted gross income of the taxpayer, or the taxpayer	
9	and the taxpayer's spouse in the case of a joint return, is less	
20	than forty thousand dollars (\$40,000).	
21	This amount is in addition to the amount subtracted under	
22	subdivision (4).	
23	(6) Subtract an amount equal to the lesser of:	
24	(A) that part of the individual's adjusted gross income (as	
2.5	defined in Section 62 of the Internal Revenue Code) for that	
26	taxable year that is subject to a tax that is imposed by a	
27	political subdivision of another state and that is imposed on or	1
28	measured by income; or	
29	(B) two thousand dollars (\$2,000).	1
30	(7) Add an amount equal to the total capital gain portion of a	
51	lump sum distribution (as defined in Section 402(e)(4)(D) of the	
32	Internal Revenue Code) if the lump sum distribution is received	
33	by the individual during the taxable year and if the capital gain	
34	portion of the distribution is taxed in the manner provided in	
35	Section 402 of the Internal Revenue Code.	
66	(8) Subtract any amounts included in federal adjusted gross	
37	income under Section 111 of the Internal Revenue Code as a	
8	recovery of items previously deducted as an itemized deduction	
19	from adjusted gross income.	
10	(9) Subtract any amounts included in federal adjusted gross	
1	income under the Internal Revenue Code which amounts were	
12	received by the individual as supplemental railroad retirement	



1	annuities under 45 U.S.C. 231 and which are not deductible under	
2	subdivision (1).	
3	(10) Add an amount equal to the deduction allowed under Section	
4	221 of the Internal Revenue Code for married couples filing joint	
5	returns if the taxable year began before January 1, 1987.	
6	(11) Add an amount equal to the interest excluded from federal	
7	gross income by the individual for the taxable year under Section	
8	128 of the Internal Revenue Code if the taxable year began before	
9	January 1, 1985.	
10	(12) Subtract an amount equal to the amount of federal Social	
11	Security and Railroad Retirement benefits included in a taxpayer's	
12	federal gross income by Section 86 of the Internal Revenue Code.	
13	(13) In the case of a nonresident taxpayer or a resident taxpayer	
14	residing in Indiana for a period of less than the taxpayer's entire	
15	taxable year, the total amount of the deductions allowed pursuant	
16	to subdivisions (3), (4), (5), and (6) shall be reduced to an amount	
17	which bears the same ratio to the total as the taxpayer's income	
18	taxable in Indiana bears to the taxpayer's total income.	
19	(14) In the case of an individual who is a recipient of assistance	
20	under IC 12-10-6-1, IC 12-10-6-2.1, IC 12-15-2-2, or IC 12-15-7,	
21	subtract an amount equal to that portion of the individual's	
22	adjusted gross income with respect to which the individual is not	
23	allowed under federal law to retain an amount to pay state and	
24	local income taxes.	
25	(15) In the case of an eligible individual, subtract the amount of	
26	a Holocaust victim's settlement payment included in the	
27	individual's federal adjusted gross income.	
28	(16) For taxable years beginning after December 31, 1999,	
29	subtract an amount equal to the portion of any premiums paid	
30	during the taxable year by the taxpayer for a qualified long term	
31	care policy (as defined in IC 12-15-39.6-5) for the taxpayer or the	
32	taxpayer's spouse, or both.	
33	(17) Subtract an amount equal to the lesser of:	
34	(A) for a taxable year:	
35	(i) including any part of 2004, the amount determined under	
36		
	subsection (f); and	
37	(ii) beginning after December 31, 2004, two thousand five	
38	hundred dollars (\$2,500); or	
39	(B) the amount of property taxes that are paid during the	
40	taxable year in Indiana by the individual on the individual's	
41	principal place of residence.	
42	(18) Subtract an amount equal to the amount of a September 11	



1	terrorist attack settlement payment included in the individual's
2	federal adjusted gross income.
3	(19) Add or subtract the amount necessary to make the adjusted
4	gross income of any taxpayer that owns property for which bonus
5	depreciation was allowed in the current taxable year or in an
6	earlier taxable year equal to the amount of adjusted gross income
7	that would have been computed had an election not been made
8	under Section 168(k) of the Internal Revenue Code to apply bonus
9	depreciation to the property in the year that it was placed in
10	service.
11	(20) Add an amount equal to any deduction allowed under
12	Section 172 of the Internal Revenue Code.
13	(21) Add or subtract the amount necessary to make the adjusted
14	gross income of any taxpayer that placed Section 179 property (as
15	defined in Section 179 of the Internal Revenue Code) in service
16	in the current taxable year or in an earlier taxable year equal to
17	the amount of adjusted gross income that would have been
18	computed had an election for federal income tax purposes not
19	been made for the year in which the property was placed in
20	service to take deductions under Section 179 of the Internal
21	Revenue Code in a total amount exceeding twenty-five thousand
22	dollars (\$25,000).
23	(22) Add an amount equal to the amount that a taxpayer claimed
24	as a deduction for domestic production activities for the taxable
25	year under Section 199 of the Internal Revenue Code for federal
26	income tax purposes.
27	(23) Subtract income that is:
28	(A) exempt from taxation under IC 6-3-2-21; and
29	(B) included in the individual's taxable income under the
30	Internal Revenue Code.
31	(b) In the case of corporations, the same as "taxable income" (as
32	defined in Section 63 of the Internal Revenue Code) adjusted as
33	follows:
34	(1) Subtract income that is exempt from taxation under this article
35	by the Constitution and statutes of the United States.
36	(2) Add an amount equal to any deduction or deductions allowed
37	or allowable pursuant to Section 170 of the Internal Revenue
38	Code.
39	(3) Add an amount equal to any deduction or deductions allowed
40	or allowable pursuant to Section 63 of the Internal Revenue Code
41	for taxes based on or measured by income and levied at the state
42	level by any state of the United States.



1	(4) Subtract an amount equal to the amount included in the	
2	corporation's taxable income under Section 78 of the Internal	
3	Revenue Code.	
4	(5) Add or subtract the amount necessary to make the adjusted	
5	gross income of any taxpayer that owns property for which bonus	
6	depreciation was allowed in the current taxable year or in an	
7	earlier taxable year equal to the amount of adjusted gross income	
8	that would have been computed had an election not been made	
9	under Section 168(k) of the Internal Revenue Code to apply bonus	
10	depreciation to the property in the year that it was placed in	
11	service.	
12	(6) Add an amount equal to any deduction allowed under Section	
13	172 of the Internal Revenue Code.	
14	(7) Add or subtract the amount necessary to make the adjusted	
15	gross income of any taxpayer that placed Section 179 property (as	
16	defined in Section 179 of the Internal Revenue Code) in service	
17	in the current taxable year or in an earlier taxable year equal to	
18	the amount of adjusted gross income that would have been	
19	computed had an election for federal income tax purposes not	
20	been made for the year in which the property was placed in	
21	service to take deductions under Section 179 of the Internal	
22	Revenue Code in a total amount exceeding twenty-five thousand	
23	dollars (\$25,000).	
24	(8) Add an amount equal to the amount that a taxpayer claimed as	
25	a deduction for domestic production activities for the taxable year	
26	under Section 199 of the Internal Revenue Code for federal	
27	income tax purposes.	
28	(9) Add to the extent required by IC 6-3-2-20 the amount of	
29 30	intangible expenses (as defined in IC 6-3-2-20) and any directly	
31	related intangible interest expenses (as defined in IC 6-3-2-20) for the taxable year that reduced the corporation's taxable	
32	income (as defined in Section 63 of the Internal Revenue Code)	
33	for federal income tax purposes.	
34	(10) Subtract income that is:	
35	(A) exempt from taxation under IC 6-3-2-21; and	
36	(B) included in the corporation's taxable income under the	
37	Internal Revenue Code.	
38	(c) In the case of life insurance companies (as defined in Section	
39	816(a) of the Internal Revenue Code) that are organized under Indiana	
40	law, the same as "life insurance company taxable income" (as defined	
41	in Section 801 of the Internal Revenue Code), adjusted as follows:	
42	(1) Subtract income that is exempt from taxation under this article	



1	by the Constitution and statutes of the United States.	
2	(2) Add an amount equal to any deduction allowed or allowable	
3	under Section 170 of the Internal Revenue Code.	
4	(3) Add an amount equal to a deduction allowed or allowable	
5	under Section 805 or Section 831(c) of the Internal Revenue Code	
6	for taxes based on or measured by income and levied at the state	
7	level by any state.	
8	(4) Subtract an amount equal to the amount included in the	
9	company's taxable income under Section 78 of the Internal	
10	Revenue Code.	
11	(5) Add or subtract the amount necessary to make the adjusted	
12	gross income of any taxpayer that owns property for which bonus	
13	depreciation was allowed in the current taxable year or in an	
14	earlier taxable year equal to the amount of adjusted gross income	
15	that would have been computed had an election not been made	
16	under Section 168(k) of the Internal Revenue Code to apply bonus	
17	depreciation to the property in the year that it was placed in	
18	service.	
19	(6) Add an amount equal to any deduction allowed under Section	
20	172 or Section 810 of the Internal Revenue Code.	
21	(7) Add or subtract the amount necessary to make the adjusted	
22	gross income of any taxpayer that placed Section 179 property (as	
23	defined in Section 179 of the Internal Revenue Code) in service	
24	in the current taxable year or in an earlier taxable year equal to	
25	the amount of adjusted gross income that would have been	
26	computed had an election for federal income tax purposes not	
27	been made for the year in which the property was placed in	
28	service to take deductions under Section 179 of the Internal	
29	Revenue Code in a total amount exceeding twenty-five thousand	
30	dollars (\$25,000).	
31	(8) Add an amount equal to the amount that a taxpayer claimed as	
32	a deduction for domestic production activities for the taxable year	
33	under Section 199 of the Internal Revenue Code for federal	
34	income tax purposes.	
35	(9) Subtract income that is:	
36	(A) exempt from taxation under IC 6-3-2-21; and	
37	(B) included in the insurance company's taxable income	
38	under the Internal Revenue Code.	
39	(d) In the case of insurance companies subject to tax under Section	
40	831 of the Internal Revenue Code and organized under Indiana law, the	
41	same as "taxable income" (as defined in Section 832 of the Internal	
12	Payanua Coda), adjusted as follows:	



1	(1) Subtract income that is exempt from taxation under this article	
2	by the Constitution and statutes of the United States.	
3	(2) Add an amount equal to any deduction allowed or allowable	
4	under Section 170 of the Internal Revenue Code.	
5	(3) Add an amount equal to a deduction allowed or allowable	
6	under Section 805 or Section 831(c) of the Internal Revenue Code	
7	for taxes based on or measured by income and levied at the state	
8	level by any state.	
9	(4) Subtract an amount equal to the amount included in the	
10	company's taxable income under Section 78 of the Internal	
11	Revenue Code.	
12	(5) Add or subtract the amount necessary to make the adjusted	
13	gross income of any taxpayer that owns property for which bonus	
14	depreciation was allowed in the current taxable year or in an	
15	earlier taxable year equal to the amount of adjusted gross income	
16	that would have been computed had an election not been made	
17	under Section 168(k) of the Internal Revenue Code to apply bonus	
18	depreciation to the property in the year that it was placed in	
19	service.	
20	(6) Add an amount equal to any deduction allowed under Section	
21	172 of the Internal Revenue Code.	
22	(7) Add or subtract the amount necessary to make the adjusted	
23	gross income of any taxpayer that placed Section 179 property (as	
24	defined in Section 179 of the Internal Revenue Code) in service	_
25	in the current taxable year or in an earlier taxable year equal to	
26	the amount of adjusted gross income that would have been	
27	computed had an election for federal income tax purposes not	
28	been made for the year in which the property was placed in	
29	service to take deductions under Section 179 of the Internal	
30	Revenue Code in a total amount exceeding twenty-five thousand	
31	dollars (\$25,000).	
32	(8) Add an amount equal to the amount that a taxpayer claimed as	
33	a deduction for domestic production activities for the taxable year	
34	under Section 199 of the Internal Revenue Code for federal	
35	income tax purposes.	
36	(9) Subtract income that is:	
37	(A) exempt from taxation under IC 6-3-2-21; and	
38	(B) included in the insurance company's taxable income	
39	under the Internal Revenue Code.	
40	(e) In the case of trusts and estates, "taxable income" (as defined for	
41	trusts and estates in Section 641(b) of the Internal Revenue Code)	
42	adjusted as follows:	



1	(1) Subtract income that is exempt from taxation under this article	
2	by the Constitution and statutes of the United States.	
3	(2) Subtract an amount equal to the amount of a September 11	
4	terrorist attack settlement payment included in the federal	
5	adjusted gross income of the estate of a victim of the September	
6	11 terrorist attack or a trust to the extent the trust benefits a victim	
7	of the September 11 terrorist attack.	
8	(3) Add or subtract the amount necessary to make the adjusted	
9	gross income of any taxpayer that owns property for which bonus	
10	depreciation was allowed in the current taxable year or in an	
11	earlier taxable year equal to the amount of adjusted gross income	
12	that would have been computed had an election not been made	
13	under Section 168(k) of the Internal Revenue Code to apply bonus	
14	depreciation to the property in the year that it was placed in	
15	service.	
16	(4) Add an amount equal to any deduction allowed under Section	
17	172 of the Internal Revenue Code.	
18	(5) Add or subtract the amount necessary to make the adjusted	
19	gross income of any taxpayer that placed Section 179 property (as	
20	defined in Section 179 of the Internal Revenue Code) in service	
21	in the current taxable year or in an earlier taxable year equal to	
22	the amount of adjusted gross income that would have been	
23	computed had an election for federal income tax purposes not	
24	been made for the year in which the property was placed in	
25	service to take deductions under Section 179 of the Internal	
26	Revenue Code in a total amount exceeding twenty-five thousand	
27	dollars (\$25,000).	
28	(6) Add an amount equal to the amount that a taxpayer claimed as	
29	a deduction for domestic production activities for the taxable year	
30	under Section 199 of the Internal Revenue Code for federal	
31	income tax purposes.	
32	(7) Subtract income that is:	
33	(A) exempt from taxation under IC 6-3-2-21; and	
34	(B) included in the taxpayer's taxable income under the	
35	Internal Revenue Code.	
36	(f) This subsection applies only to the extent that an individual paid	
37	property taxes in 2004 that were imposed for the March 1, 2002,	
38	assessment date or the January 15, 2003, assessment date. The	
39	maximum amount of the deduction under subsection (a)(17) is equal	
40	to the amount determined under STEP FIVE of the following formula:	
41	STEP ONE: Determine the amount of property taxes that the	

taxpayer paid after December 31, 2003, in the taxable year for



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1	property taxes imposed for the March 1, 2002, assessment date
2	and the January 15, 2003, assessment date.
3	STEP TWO: Determine the amount of property taxes that the
4	taxpayer paid in the taxable year for the March 1, 2003,
5	assessment date and the January 15, 2004, assessment date.
6	STEP THREE: Determine the result of the STEP ONE amount
7	divided by the STEP TWO amount.
8	STEP FOUR: Multiply the STEP THREE amount by two
9	thousand five hundred dollars (\$2,500).
10	STEP FIVE: Determine the sum of the STEP FOUR amount and
11	two thousand five hundred dollars (\$2,500).
12	SECTION 2. IC 6-3-2-21 IS ADDED TO THE INDIANA CODE
13	AS A NEW SECTION TO READ AS FOLLOWS [EFFECTIVE
14	JANUARY 1, 2008]: Sec. 21. (a) This section applies to a patent
15	issued to a taxpayer after December 31, 2007.
16	(b) As used in this section, "qualified taxpayer" means a
17	taxpayer that is:
18	(1) considered a small entity by the United States Patent and
19	Trademark Office; and
20	(2) domiciled in Indiana.
21	(c) Subject to subsections (d) and (e), in determining adjusted
22	gross income or taxable income under IC 6-3-1-3.5 or IC 6-5.5-1-2,
23	a qualified taxpayer is entitled to an exemption from taxation
24	under IC 6-3-1 through IC 6-3-7 for the following:
25	(1) Licensing fees or other income received for the use of a
26	patent.
27	(2) Royalties received for the infringement of a patent.
28	(3) Receipts from the sale of a patent.
29	(d) The total amount of exemptions claimed under this section
30	by a qualified taxpayer in a taxable year may not exceed five
31	million dollars (\$5,000,000).
32	(e) A taxpayer may not claim an exemption under this section
33	with respect to a particular patent for more than ten (10) taxable
34	years.
35	(f) To receive the exemption provided by this section, a qualified
36	taxpayer must claim the exemption on the qualified taxpayer's
37	annual state tax return or returns in the manner prescribed by the
38	department. The qualified taxpayer shall submit to the department
39	all information that the department determines is necessary for the
40	determination of the exemption provided by this section.
41	SECTION 3. IC 6-5.5-1-2, AS AMENDED BY P.L.246-2005,
42	SECTION 75, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE



1	JANUARY 1, 2008]: Sec. 2. (a) Except as provided in subsections (b)
2	through (d), "adjusted gross income" means taxable income as defined
3	in Section 63 of the Internal Revenue Code, adjusted as follows:
4	(1) Add the following amounts:
5	(A) An amount equal to a deduction allowed or allowable
6	under Section 166, Section 585, or Section 593 of the Internal
7	Revenue Code.
8	(B) An amount equal to a deduction allowed or allowable
9	under Section 170 of the Internal Revenue Code.
10	(C) An amount equal to a deduction or deductions allowed or
11	allowable under Section 63 of the Internal Revenue Code for
12	taxes based on or measured by income and levied at the state
13	level by a state of the United States or levied at the local level
14	by any subdivision of a state of the United States.
15	(D) The amount of interest excluded under Section 103 of the
16	Internal Revenue Code or under any other federal law, minus
17	the associated expenses disallowed in the computation of
18	taxable income under Section 265 of the Internal Revenue
19	Code.
20	(E) An amount equal to the deduction allowed under Section
21	172 or 1212 of the Internal Revenue Code for net operating
22	losses or net capital losses.
23	(F) For a taxpayer that is not a large bank (as defined in
24	Section 585(c)(2) of the Internal Revenue Code), an amount
25	equal to the recovery of a debt, or part of a debt, that becomes
26	worthless to the extent a deduction was allowed from gross
27	income in a prior taxable year under Section 166(a) of the
28	Internal Revenue Code.
29	(G) Add the amount necessary to make the adjusted gross
30	income of any taxpayer that owns property for which bonus
31	depreciation was allowed in the current taxable year or in an
32	earlier taxable year equal to the amount of adjusted gross
33	income that would have been computed had an election not
34	been made under Section 168(k) of the Internal Revenue Code
35	to apply bonus depreciation to the property in the year that it
36	was placed in service.
37	(H) Add the amount necessary to make the adjusted gross
38	income of any taxpayer that placed Section 179 property (as
39	defined in Section 179 of the Internal Revenue Code) in
40	service in the current taxable year or in an earlier taxable year
41	equal to the amount of adjusted gross income that would have
42	been computed had an election for federal income tax



1	purposes not been made for the year in which the property was
2	placed in service to take deductions under Section 179 of the
3	Internal Revenue Code in a total amount exceeding
4	twenty-five thousand dollars (\$25,000).
5	(I) Add an amount equal to the amount that a taxpayer claimed
6	as a deduction for domestic production activities for the
7	taxable year under Section 199 of the Internal Revenue Code
8	for federal income tax purposes.
9	(2) Subtract the following amounts:
10	(A) Income that the United States Constitution or any statute
11	of the United States prohibits from being used to measure the
12	tax imposed by this chapter.
13	(B) Income that is derived from sources outside the United
14	States, as defined by the Internal Revenue Code.
15	(C) An amount equal to a debt or part of a debt that becomes
16	worthless, as permitted under Section 166(a) of the Internal
17	Revenue Code.
18	(D) An amount equal to any bad debt reserves that are
19	included in federal income because of accounting method
20	changes required by Section 585(c)(3)(A) or Section 593 of
21	the Internal Revenue Code.
22	(E) The amount necessary to make the adjusted gross income
23	of any taxpayer that owns property for which bonus
24	depreciation was allowed in the current taxable year or in an
25	earlier taxable year equal to the amount of adjusted gross
26	income that would have been computed had an election not
27	been made under Section 168(k) of the Internal Revenue Code
28	to apply bonus depreciation.
29	(F) The amount necessary to make the adjusted gross income
30	of any taxpayer that placed Section 179 property (as defined
31	in Section 179 of the Internal Revenue Code) in service in the
32	current taxable year or in an earlier taxable year equal to the
33	amount of adjusted gross income that would have been
34	computed had an election for federal income tax purposes not
35	been made for the year in which the property was placed in
36	service to take deductions under Section 179 of the Internal
37	Revenue Code in a total amount exceeding twenty-five
38	thousand dollars (\$25,000).
39	(G) Income that is:
40	(i) exempt from taxation under IC 6-3-2-21; and
41	(ii) included in the taxpayer's taxable income under the
42	Internal Revenue Code.



1	(b) In the case of a credit union, "adjusted gross income" for a
2	taxable year means the total transfers to undivided earnings minus
3	dividends for that taxable year after statutory reserves are set aside
4	under IC 28-7-1-24.
5	(c) In the case of an investment company, "adjusted gross income"
6	means the company's federal taxable income multiplied by the quotient
7	of:
8	(1) the aggregate of the gross payments collected by the company
9	during the taxable year from old and new business upon
0	investment contracts issued by the company and held by residents
.1	of Indiana; divided by
2	(2) the total amount of gross payments collected during the
3	taxable year by the company from the business upon investment
4	contracts issued by the company and held by persons residing
.5	within Indiana and elsewhere.
6	(d) As used in subsection (c), "investment company" means a
7	person, copartnership, association, limited liability company, or
8	corporation, whether domestic or foreign, that:
9	(1) is registered under the Investment Company Act of 1940 (15
20	U.S.C. 80a-1 et seq.); and
21	(2) solicits or receives a payment to be made to itself and issues
22	in exchange for the payment:
23	(A) a so-called bond;
24	(B) a share;
25	(C) a coupon;
26	(D) a certificate of membership;
27	(E) an agreement;
28	(F) a pretended agreement; or
29	(G) other evidences of obligation;
0	entitling the holder to anything of value at some future date, if the
31	gross payments received by the company during the taxable year
32	on outstanding investment contracts, plus interest and dividends
3	earned on those contracts (by prorating the interest and dividends
34	earned on investment contracts by the same proportion that
55	certificate reserves (as defined by the Investment Company Act
66	of 1940) is to the company's total assets) is at least fifty percent
37	(50%) of the company's gross payments upon investment
8	contracts plus gross income from all other sources except
9	dividends from subsidiaries for the taxable year. The term
10	"investment contract" means an instrument listed in clauses (A)
1	through (G).
12	SECTION 4. [EFFECTIVE JANUARY 1, 2008] (a) IC 6-3-1-3.5



1	and IC 6-5.5-1-2, both as amended by this act, apply to taxable
2	years beginning after December 31, 2007, for patents issued after
3	December 31, 2007.
4	(b) IC 6-3-2-21, as added by this act, applies to taxable years
5	beginning after December 31, 2007.

- beginning after December 31, 2007.
- (c) The department of state revenue may adopt rules and prescribe forms to implement IC 6-3-2-21, as added by this act.

